ABSTRACT

Sectoral Stock Return and Risk Factors Analysis on Initial Public Offering in Jakarta Stock Exchange

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The aim of this research is to identify the initial return, to analyze the effect of risk factors on it, and to analyze the long term return in order to build investments strategies and to see the long term stocks performances. Result in the first part shows that the initial actual return and the initial abnormal return of all sectors are not significantly different. The average initial returns is positive for all sectors, but data distribution shows that 13,7% of all stocks cannot give a positive initial return. Property and Real Estate is the best performing sector on the first day, with the highest and statistically significant average initial return, and also lowest standard deviation. Investors who invest in primary market and willing to sale the stocks in the first day of secondary market trading should choose the stocks of the Property and Real Estate sector to get the highest return with the lowest risk. Regression analysis shows that PBV and stock capitalization are the risk factors with statistically significant effects on initial actual return. PBV has a positive effect and stock capitalization has a negative effect. Long term actual return analysis produces investments strategies for all sectors. Long term strategy should be done in Infrastructure, Utility, and Transportation sector, by selling the stocks after the 38th month of secondary market trading, and by that getting a 193,5% return. Long term abnormal return analysis shows that most of all sectors have a declining performance in the long term, except for the Infrastructure, Utility, and Transportation sector. This is the best performing sector with increasing abnormal return in the long term period. In the other hand, Trading, Service, and Investment sector shows the worst long term performance, with the biggest abnormal return decline in the long term period.